

**BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554**

**FCC 96-93**

**In the Matter of  
Federal-State Joint Board  
on Universal Service**

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**CC Docket No. 96-45**

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**APRIL 12, 1996**

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## **EXECUTIVE SUMMARY**

The view of universal service taken in the Notice improperly limits the policy enacted by Congress. By focusing the Notice entirely on the questions of the special populations mentioned in some subsections of Section 254 (low income consumers, those in rural, insular or high cost areas, and public institutional telecommunications users), the Notice ignores the commitment to just, reasonable and affordable rates for all Americans made by the 1996 Telecommunications Act.

While targeted subsidies should be encouraged where appropriate, they should not replace low rates for all users. The Act's fundamental premise is that a core groups of services should be available to all consumers. The policy to ensure access for specific groups or rate parity between urban and rural customers was not intended to exclude urban customers or customer who are not "low income" from continuing to receive basic service at an affordable rate.

The application of cost allocation rules for joint and common costs to broad categories of services such as universal service, competitive services and non-competitive services also clearly indicates that universal service does not make reference only to specific groups of customers.

The opinion expressed in the Notice that the Carrier Common Line (CCL) charge is an implicit subsidy is wrong. The CCL is a charge to cover the use of a joint and common facility, the loop. If the CCL is transformed into either an increase in the EUCL or into a draw on the universal service fund, the long distance companies (IXC) will be the recipients of a subsidy from those paying for the loop. This clearly violates the policy that services included in universal service bear only a reasonable share of joint and common costs.

The Commission must apply a broad definition of affordable, which is based on the fundamental notion that the burden of telecommunications rates dictates affordability, not simply on whether or not consumers continue to take telephone service. By adding the word affordable to the long standing policy of just and reasonable rates and by holding out the promise of competition across all telecommunications markets, the Congress clearly intended for consumers to enjoy rates that are easier to bear. Ironically, the Notice seems intent on raising rates.

Imposing an increase in the end user common line (EUCL) charge runs counter to the public policy to make rates affordable. Increases in rates for the EUCL would increase the burden of obtaining telephone service on all subscribers.

The suggestion to recalibrate rates to reflect changes in inflation is absurd in an industry where the real cost of providing service is declining and where wireless technologies may supplant more expensive loop-dependent technologies. The Commission should

consider reductions in the EUCL and the universal service package, rather than rate increases.

The Commission's definition of service is incomplete, given the current state of the network and provision of telecommunications services and the principles in the 1996 Act. Above all, the Commission fails to include use in its definition of service. Mere access to the telephone network does not constitute service. Actual use of the network, placing calls and activating the functionalities embedded in the network is service. Therefore, flat rate telephone service, which is by far the majority service utilized by consumers in this country, must be the primary definition of universal service.

The Commission should include a number of other functionalities that are presently embodied in the telecommunications services which are purchased by the majority of subscribers and/or are considered a public convenience and necessity including directory assistance, listing in annual local directories, equal access to interexchange carriers, interoffice digital facilities and equal access to SS7 functionalities. Similarly, high penetration services, like call waiting, which are supported by the modern network should be included in the universal service package. In addition, public convenience and necessity, as well as public safety require that call trace and 900-number service be included.

Consistent with the principle that universal service policy for specific groups starts with, but expands on the commitment made to all Americans, the Commission should adopt additional services for low income households. The following services should be included in universal service and supported by federal programs: the basic service package as identified earlier, long distance blocking, calls to the telephone company should be available at no charge, installation charges should be reduced (the Link Up Program), and deposits should be waived.

The commission should not impose additional barriers for low income households to obtain telephone service. Therefore, the discount should be available on the primary line into the home. Recipients should be allowed to buy optional services at regular rates. Finally, the Commission should not allow service to be disconnected for non-payment of long distance bills.

The current cap on the universal service fund support should be extended until the FCC adopts and implements universal service protections and any decision to change the funding mechanism should be phased in. The failure to extend the cap would place consumers at risk of large increases, if states seek to replace those revenues with increases in basic rates. By extending the cap, the Commission would also give the states and the industry time to adjust to the onset of competition.

## **I. INTRODUCTION**

1. The Texas Office of Public Utility Counsel (OPUC) represents residential and small business consumers in telephone proceedings before the Texas Public Utility Commission, the Federal Communications Commission and in various state and federal courts. OPUC submits these comments in response to the Notice of Proposed Rulemaking on Universal Service.

## **II. THE IMPORTANCE OF JUST, REASONABLE AND AFFORDABLE RATES FOR ALL AMERICANS**

### **A. Universal Service Policy Applies to All Americans**

2. In paragraph 11 of the Notice of Proposed Rulemaking,<sup>1</sup> the Commission summarizes the fundamental approach it is taking to the universal service section (Section 254) of the Telecommunications Act of 1996 as follows:<sup>2</sup>

The 1996 Act provides universal service support for two primary categories of services, each of which has two separate beneficiaries: (1) a "core" group of services, the provision of which is to be supported for consumers with low incomes or in rural, insular, and high cost areas; and (2) additional services, including advanced telecommunications and information services, for providers of health care or educational services as described in Sections 254(b)(6) and 254(h). As we interpret the 1996 Act, our first responsibility is to identify what core groups of services should be supported by Federal Universal service support mechanisms to enable the first group of beneficiaries to purchase those services at just reasonable, and affordable rates.<sup>3</sup>

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<sup>1</sup> "In the Matter of Federal-State Joint Board on Universal Service," Notice of Proposed Rulemaking and Order Establishing Joint Board, Federal Communications Commission, CC Docket No. 96-45, March 8, 1996; hereafter, the Notice.

<sup>2</sup> Telecommunications Act of 1996, Public L. No. 104-104, 110 Stat 56(1996) (hereafter, 1996 Act).

<sup>3</sup> Notice, para. 11, p. 7.

3. This view of the 1996 Act improperly limits the universal service policy enacted by Congress. By focusing the Notice entirely on the questions of the special populations mentioned in some subsections of Section 254 (low income consumers, those in rural, insular or high cost areas, and public institutional telecommunications users), the Commission runs the risk of undermining the fundamental commitment that Congress made in the 1996 Act to preserving universal service for all Americans.<sup>4</sup>

4. Neither the Act in its entirety, nor Section 254 in particular, restricts the provision of universal service to these populations. On the contrary, it holds the universal service policy out to all Americans and it does so with very clear ratemaking principles.

5. The first principle for the "preservation and advancement of universal service," requires that

Quality services should be available at just reasonable and affordable rates (Section 254, (b) (1)).

6. There is no limitation of just, reasonable and affordable rates to specific groups of consumers. Mention of specific groups of consumers in subsequent subsections of this section constitute separate and distinct public policies.

7. Besides maintaining low rates for all consumers, targeted subsidies may be appropriate so that low income consumers and those living in rural or high cost areas can continue to receive service at an affordable rate. Targeted subsidies should be encouraged

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<sup>4</sup> The 1996 Act, Conference Report, p. 1 and the Joint Explanatory Statement, p. 113, explicitly state that the goal of the Act is

to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans.

where appropriate, but should not replace low rates for all users. The Act's fundamental premise is that this core group of services should be available to all consumers. The policy to ensure access for specific groups or rate parity between urban and rural customers was not intended to exclude urban customers or customers who are not "low income" from continuing to receive basic service at an affordable rate.

**B. Consumer Protection Applies to All Consumers**

8. The importance of the Congressional intent to ensure just, reasonable and affordable rates to all Americans is reaffirmed in Section 254 (i). This Section states a general principle of

Consumer Protection. - The Commission and the States should ensure that universal service is available at rates that are just, reasonable, and affordable.

9. Again, there is nothing in the structure or language of the law or the conference report to suggest the policy of just, reasonable and affordable rates applies to anything other than all consumers.

10. Affordable in this context does not mean targeted subsidies. Affordable means keeping prices low for all consumers no matter where they live or what their income level.

**C. Cost Allocation Requires Reasonable Rates for All Consumers**

11. Section 254 (k) adds a further dimension to the definition of just, reasonable and affordable by specifying the allocation of joint and common costs between services defined as universal service and competitive services.

The Commission, with respect to interstate services, and the States, with respect to intrastate services, shall establish any necessary cost allocation rules, accounting safeguards, and guidelines to ensure that services included in the definition of universal service bear no more than a reasonable share of the joint and common costs of facilities used to provide those services.

12. The Conference Report makes a point of stating that in adopting Section 254 (k) the House is receding to the Senate (1996 Law, p. 134). The Senate report made it clear that a reasonable share of joint and common costs was the maximum that should be included in the rates for universal service, but less could be allocated to these services.

The Commission and the states are required to establish any necessary cost allocation rules, accounting safeguards, and other guidelines to ensure that universal service bears no more than a reasonable share (and may bear less than a reasonable share) of the joint and common costs of facilities used to provide both competitive and noncompetitive services.<sup>5</sup>

13. The application of cost allocation rules to joint and common costs involves broad categories of services such as universal service, competitive services and non-competitive services. This clearly indicates that universal service does not make reference only to specific groups of customers. Attempting to apply these concepts of cost allocation to selected groups makes no sense, since segregating the joint and common facilities for competitive services for only these customers would be difficult, if not impossible.

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<sup>5</sup> 1996 Act, p. 129.

**D. The Commission Must Take a Broad View of Universal Service**

14. Whether or not the Commission has experience with just and reasonable rates,<sup>6</sup> or intends to deal with just and reasonable rates in other proceedings,<sup>7</sup> it must not lose sight of Congress' universal service commitment to all Americans.

Just, reasonable and affordable rates for all Americans is the continuing central thrust of Congressional universal service policy, subsidies for special groups are an explicit, new element added to long standing policies.<sup>8</sup>

15. The misplaced emphasis in the Notice leads the Commission to raise issues and suggest policies that are contrary to the intent of the law.

**III. JUST AND REASONABLE RATES AND USE OF THE LOOP**

**A. The Commission's View of the Carrier Common Line Charge (CCL)**

16. In paragraphs 112-115, the Commission discusses the end user carrier line charge (EUCL) and the carrier common line charge (CCL). The Notice raises this issue in the context of language in the law which expresses the preference for the elimination of "implicit subsidies."<sup>9</sup>

17. The Notice indicates its agreement with this view when it states that the CCL charge "appears to constitute a universal service support flow."<sup>10</sup>

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<sup>6</sup> Notice, para. 4, p. 4.

<sup>7</sup> Notice, para. 12, P. 8.

<sup>8</sup> Notice, para. 14, p. 9.

<sup>9</sup> Para 112, p. 45.

<sup>10</sup> Para. 113, p. 46.

18. It recounts the history of the subscriber line charge, concluding that the CCL arises solely because of the desire of a previous Joint Board and FCC to cap the EUCL in pursuit of universal service goals.<sup>11</sup>

**B. The CCL is a Charge for the Use of a Joint and Common Facility**

19. The view of the CCL expressed in the notice is simply wrong. The CCL is a charge to cover the use of a joint and common facility, the loop. The loop is a telecommunications facility used to complete all telephone calls -- local, intralata long distance, and interlata long distance. It is also used to provide enhanced services. It is impossible to complete an interlata long distance call without a loop. When the loop is in use to complete an interlata long distance call, it cannot be used to complete another call.

20. If the CCL is transformed into either an increase in the EUCL or into a draw on the universal service fund, the long distance companies (IXC) will be the recipients of a subsidy from those paying for the loop.<sup>12</sup> The IXC would be allowed to use a joint and common facility -- the loop -- without paying for it. In a competitive marketplace there are no free rides.

21. Eliminating the CCL clearly violates the policy that services included in universal service bear only a reasonable share of joint and common costs. Rates for universal service would be paying 100 percent of costs for facilities that are used by interlata long distance services.

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<sup>11</sup> Notice, para. 113, p. 46.

<sup>12</sup> Notice, para. 114, pp. 46-47.

### **C. EUCL and Affordability**

22. The Commission seeks comment on the affordability impact of an increase in the EUCL as follows:

We seek comment on the level of explicit universal service support that would be required to avoid unacceptable harm to subscribership under such a scenario, and the extent to which such support could be provided through targeted support mechanisms to low-income customers and customers in rural, insular, or high cost areas.<sup>13</sup>

23. This formulation of the question applies the improperly narrow framework for universal service suggested by the Notice, which was refuted in Section II. It also adopts an unacceptably narrow framework for the definition and analysis of affordability, which will be discussed in Section IV.

24. Imposing an increase in the EUCL runs counter to the public policy to make rates affordable. Increases in rates for the EUCL would increase the burden of obtaining telephone service on all subscribers. Having never exercised any ratemaking authority over many of the companies which would be the beneficiaries of the reductions in CCL and given up authority over the others, an increase in the EUCL to reduce the CCL could well result in a substantial net increase in the telephone bill facing subscribers.

25. This increase in the bill runs counter to the intention of Congress to ensure that rates for universal service are affordable, since it is in the form of a charge that cannot be avoided or controlled.

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<sup>13</sup> Notice, para. 114, pp. 46-47.

**D. Charges for Interexchange Carrier Use of Joint and Common Facilities Can be Collected in a Variety of Ways**

26. The Commission seeks comment on ways that the CCL could be restructured.<sup>14</sup>

Once the Commission recognizes that the CCL is a charge for the use of a joint and common facility, it is clear that discussion of the CCL should not take place in the Universal Service proceeding.<sup>15</sup> The Commission can analyze that charge in a separate cost allocation proceeding. Once it has determined the economically appropriate manner in which these joint and common costs should be recovered, it should examine the impact on universal service.

**E. Is the CCL Too Large?**

27. Given the high levels of usage of interlata long distance service and the demands placed on the network by these services, this is not likely to be the case. Interlata use of the loop may already exceed the percentage of loop costs recovered through the CCL. This is a matter for analysis as a cost allocation issue.

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<sup>14</sup> Notice, para. 114, p. 47.

<sup>15</sup> That portion of the CCL which is identified in the Notice, para. 115, p. 47, as explicit support payments remitted to the National Exchange Carrier Association as long term support, can be transformed into explicit subsidies recovered from an explicit universal support mechanism. These payments are, essentially, a tax, unlike the remainder of the CCL which is a fee for charged the IXC's for using a joint and common facility.

**F. Should the CCL Be Transformed Into a Channel Charge Paid by Long Distance Carriers Instead of a Per Minute Usage Fee?**

28. The Commission restates the criticism of the CCL as a traffic sensitive charge for a non-traffic sensitive cost. We are skeptical of this argument.

29. First, it is clear that when customers obtain telephone service they intend and expect to be able to place long distance calls just as much as local calls. The costs of the loop are caused by both types of calls.

30. Second, not only are the costs caused by the desire to place long distance calls, but the revenue opportunity created by the placing calls is dictated by the nature of the use to which the loop is put. The more a facility is in use to complete a long distance call, the less the opportunity to complete other types of calls.

31. Thus, the nature of cost causation, revenue opportunities and cost allocation must be analyzed by the Commission before any changes in the EUCL and the CCL are made. These issues should not be dealt with in the universal service proceeding.

**G. Can Joint and Common Costs be Recovered in a Competitively Neutral Manner?**

32. Because the Congress has directed the Commission to implement the law in a "pro-competitive, de-regulatory manner",<sup>16</sup> the Commission may want to consider subjecting the CCL to competitive marketplace conditions. The allocation and automatic recovery of incumbent LEC joint and common costs improperly shields these incumbents from

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<sup>16</sup> 1996 Act, p. 1.

competitive pressures. The IXC complaint that they pay too much can also be subject to a market test.

33. After the Commission identifies an approximate level of costs for allocation to the interexchange market it could allow/require IXCs to contract for use of the loop in the marketplace. The revenue would only be replaced if the incumbent LEC were the most efficient supplier of loop facilities. If the incumbent local exchange companies loses the business to other providers of loop facilities, they should not be made whole, since such a policy would not be competitively neutral.

**H. As the Telecommunications Market Becomes Competitive, the Commission Must Move Toward the Elimination of the Subscriber Line Charge**

34. As the market becomes more competitive, the Commission will have to abandon subscriber line charges altogether and allow costs for the provision of loop to be recovered by service providers in the rates they charge each other and their customers. The line item that the Commission has placed on a user's bill for the subscriber line charge cannot be properly placed on the bill, if a competitive company provides loop facilities. Because neither the FCC nor the states has or will regulate the rates of these competitive companies, there is no way that the FCC can know whether \$3.50 or \$6.00 or any other number is just and reasonable.

#### **IV. AFFORDABILITY OF SERVICE**

##### **A. The Burden of Rates Must Be Considered in the Analysis of Affordability, Not Just How Much People Can be Forced to Pay For Telephone Service**

35. The Commission points out that the 1996 Act gives it a new, explicit responsibility to ensure affordability.<sup>17</sup> The Commission begins by citing a dictionary definition of affordable

Webster's New World Dictionary defines the term "afford" as follows: "to have enough or the means for; bear the cost of without serious inconvenience."<sup>18</sup>

36. There are clearly two connotations to the definition -- an absolute connotation and a relative connotation.

37. The first connotation is absolute in the sense that there is no qualifier; no matter how much it costs, if a subscriber continues to pay for telephone service, telephone service is affordable.

38. The second connotation is relative in the sense that the definition of affordable takes into account the nature of the burden imposed; if it causes serious inconvenience to pay for telephone service, telephone service is not affordable, even though the subscriber continues to pay for it.

39. The dictionary cited by the Commission is somewhat dated -- having been published in 1980. More recent dictionaries give similar definitions, but the relative concept is more prominent. For example,

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<sup>17</sup> Notice, para. 14, p. 9.

<sup>18</sup> Notice, note 12, p. 5.

(1) (a) To manage to bear without serious detriment; (b) To manage to pay for or incur the cost of.<sup>19</sup>

(1) (a) To manage to bear without serious detriment; (b) to be able to bear the cost of.<sup>20</sup>

(1) To be able to undergo, manage, or the like without serious consequence;  
(2) to be able to meet the expense of or spare the price of.<sup>21</sup>

40. Thus, the relative connotation of afford seems to be the primary connotation.

The standard is not whether one can pay the price, but whether that price causes serious detriment, consequence or inconvenience.

41. The Commission seeks comment "on whether there are appropriate measures that could help us assess whether 'affordable' service is being provided to all Americans."<sup>22</sup> Unfortunately, the example the Commission gives in footnote 13 refers only to the absolute connotation of affordability:

For example, one such measure might be the level of telecommunications service subscribership among targeted populations.<sup>23</sup>

Similarly, when the Commission discusses the impact of an increase in the EUCL, it seeks comment only on the "harm to subscribership."<sup>24</sup>

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<sup>19</sup> Webster's Third New International Dictionary, Philip Babcock Grove (Ed.), (Merriam-Webster Inc., Springfield Mass, 1986), p. 36.

<sup>20</sup> Merriam-Webster's Collegiate Dictionary, Tenth Edition (1995), p. 20.

<sup>21</sup> Random House Webster's College Dictionary (Random House, New York; 1995), p. 24.

<sup>22</sup> Notice, para. 4, p. 5

<sup>23</sup> Notice, note 13, p. 5.

<sup>24</sup> Notice, para. 114, p. 46.

42. Thus, the Notice has improperly narrowed the definition of affordable universal service in two ways that fundamentally distort Congressional policy. First, it has ignored all consumers who are not low income or do not live in rural, insular or high cost areas. Second, for those consumers that it includes as recipients of universal service policies, it ignores the burden that rates may cause -- ignoring half of the definition of affordability.

43. The Commission must apply the broad scope of universal service policy adopted by the Congress and a full, appropriate definition of affordable. The results of taking a proper view of the vigorous consumer protections that Congress intended will point the Commission in a very different direction than the Notice is heading.

#### **B. Rate Increases Should be Rejected**

44. By adding the word affordable to the long standing policy of just and reasonable rates and by holding out the promise of competition across all telecommunications markets, the Congress clearly intended for consumers to enjoy rates that are easier to bear. Ironically, the Notice seems intent on raising rates.

45. First, the Notice seems intent on raising the EUCL to lower the CCL. Furthermore, the Notice makes reference to a staff document which argues that the EUCL should be increased to keep pace with inflation (note 229, p. 45).

46. Similarly, the Notice seeks comment on "whether there should be procedures to recalibrate these rate levels to reflect changes in inflation or other factors that may make such recalibration necessary."<sup>25</sup>

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<sup>25</sup> Notice, para. 25, p. 15.

47. Talk of recalibrating rates to reflect changes in inflation is absurd in an industry where the real cost of providing service is declining and where wireless technologies may supplant more expensive loop-dependent technologies. The FCC has received substantial evidence that rates should be declining because productivity has exceeded the rate of inflation by a substantial margin for the past decade. The most extensive studies of local costs commissioned by Public Counsels across the country show even higher productivity increases than the Commission found in the interstate jurisdiction.<sup>26</sup> The Commission should consider reductions in the EUCL and the universal service package, rather than rate increases.

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<sup>26</sup> "Rebuttal Testimony of Dr. Marvin Kahn, on Behalf of the Office of the Attorney General," Before the State Corporation Commission of Virginia, In the Matter of Evaluating Investigating the Telephone Regulatory Case No. PUC930036 Methods Pursuant to Virginia Code S. 56-235.5, Cause No. PUC930036, March 15, 1994 and "Prefiled Testimony of David Gable on Behalf of the Indiana Office of Utility Consumer Counselor," Before the Indiana Utility Regulatory Commission, In the Matter of Petition of Indiana Bell Telephone Company, Incorporated for the Commission to Decline to Exercise in Part Its Jurisdiction Over Petitioner's Provision of Basic Local Exchange Service and Carrier Access Service, to Utilize alternative Regulatory Procedures for Petitioner's Provision of Basic Local Exchange Service and Carrier Access Service, and to Decline to Exercise in Whole Its Jurisdiction Over all other Aspects of Petitioner and Its Provision of All Other Telecommunications Service and Equipment, Pursuant to IC 8-1-2.6, Cause Number 39705, January 1994, estimate the productivity offset in the rate of 7 percent per year in the late 1980s and early 1990s.

## **V. WHAT SHOULD BE INCLUDED IN UNIVERSAL SERVICE?**

### **A. The Minimal Services Identified in the Notice**

48. The law extends universal service policy to the broad concept of "telecommunications services."<sup>27</sup> The Commission then proposes the following set of services:<sup>28</sup> voice grade access to the public switched network, touch-tone, single party, access to emergency services, access to operator services, relay services (required elsewhere in the law). We support the inclusion of these functionalities in the definition of service to be supported by the Commission.

### **B. Usage is Part of Telecommunications Services**

49. The Commission has asked for comment on additional services that might be included for Universal Service support.<sup>29</sup> OPUC believes that the Commission's definition of service is remarkably incomplete, given the current state of the network and provision of telecommunications services.

50. Above all, by this definition, the Commission fails to include use in its definition of service. Mere access to the telephone network does not constitute service. Actual use of the network, placing calls and activating the functionalities embedded in the network is service.

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<sup>27</sup> Notice, para 14, p. 9, para 15, p. 10, and para 16. p. 10.

<sup>28</sup> Notice, paras. 18-22.

<sup>29</sup> Notice, para 17, p. 11 and para 23, p. 14.

51. Moreover, flat rate telephone service is by far the majority service utilized by subscribers in this country. The Commission recognizes that public preference for a service as evidenced by consumer choice in the marketplace is one of the criteria for inclusion in the definition of universal service.<sup>30</sup> The public preference for flat rate service could not be clearer.

**C. Other Functionalities that Currently Meet the Criteria for Inclusion in the Definition of Universal Service**

52. The Commission has neglected to include a number of other functionalities that are presently embodied in the telecommunications services purchased by the majority of subscribers and are considered a public convenience and necessity. These include: directory assistance, listing in annual local directories, equal access to interexchange carriers, interoffice digital facilities and equal access to SS7 functionalities. Similarly, high penetration services, like call waiting, which are supported by the modern network should be included in the universal service package.

53. In addition, public convenience and necessity, as well as public safety require that call trace and 900-number service be included.

54. The Notice asks for explicit comment on the inclusion of data transmission capabilities in the definition of universal service. Implicit in the above list of functionalities are data transmission capabilities that have become widespread throughout our society.

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<sup>30</sup> Notice, para. 9, p. 6.

#### **D. Additional Considerations for Low Income Households**

55. Consistent with the principle that universal service policy for specific groups starts with, but expands on the commitment made to all Americans, the Commission should adopt additional services for low income households.<sup>31</sup> In order to promote universal service among low income households, the following services should be included in universal service and supported by federal programs: the basic service package as identified earlier, long distance blocking, calls to the telephone company should be available at no charge, installation charges should be reduced (the Link Up Program), and the deposit should be waived.

56. The commission should not impose additional barriers for low income households to obtain telephone service. Therefore, the discount should be available on the primary line into the home. Recipients should be allowed to buy optional services at regular rates.

57. Finally, the Commission should not allow service to be disconnected for non-payment of long distance bills. In a competitive marketplace, companies do not collude to ensure that their competitors bills are paid. Basic telecommunication service is a necessity in today's society. Affordability of that service is directly jeopardized by the anti-competitive practice of disconnection of local service for non-payment of long distance bills. Prohibiting this practice will ensure that consumers can continue to receive affordable basic service.

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<sup>31</sup> Notice para. 50-56, seeks comments on additional services and policies to promote universal service among lower income households.

## **VI. TRANSITION TO COMPETITION AND THE NEW UNIVERSAL SERVICE MECHANISM**

58. The Notice seeks comment on how to manage the transition from current support programs to a new approach to universal service.<sup>32</sup> The cap should be extended until the FCC adopts and implements universal service protections and any decision to change the funding mechanism should be phased in.

59. The failure to extend the cap would place consumers at risk of large increases, if states seek to replace those revenues with increases in rates. This would impose a particular burden on a state such as Texas, which already has some of the highest cost areas and some of the lowest telephone penetration rates in the country.

60. By extending the cap until the Joint Board and the FCC have completed their deliberations and by phasing in any changes, the Commission would also give the states and the industry time to adjust to the onset of competition. The nature of the competition that actually does, or does not, develop, particularly in rural areas, may have a significant impact on whether and how revenue streams must be altered or replaced in response to changes in federal policy and support mechanisms in the definition of universal service.

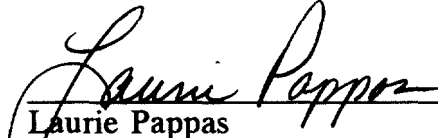
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<sup>32</sup> Para. 40.

Dated: April 12, 1996

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

**FCC Docket No. 96-45**

**I certify that today, April 12, 1996, I served a true copy of the *Texas Office of Public Utility Counsel's Initial Comments* on the following persons by U.S. Mail, first-class postage prepaid.**

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